

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 166635

ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 TRSE-00 IO-13 L-03

H-01 PA-01 PRS-01 SP-02 USIA-06 AID-05 NSC-05

EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 NEA-10 /117 R

DRAFTED BY EB/IFD/ODF:AADAMS:SMCP

APPROVED BY EB/IFD/ODF:MVCREEKMORE

TREAS:WESCOUBE

EA/EP:DSTEBBING

-----101467 181554Z /43

P R 181543Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE STATE 166635

MANILA FOR USADB

E.O. 11652: N/A

TAGS: EGEN, EFIN, ADB, AS

SUBJECT: ADB LENDING RATE

REF: (A) CANBERRA 4925; (B) STATE 156569

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 166635

1. IN RESPONSE TO QUESTION REFTEL A CONCERNING ADMINIS-  
TRATIVE COSTS ESTIMATE OF 65 BASIS POINTS ON ADB LENDING  
SSOURCE OF THIS FIGURE IS ADB WORKING PAPER 1-77 DATED  
JANUARY 26, 1977, ENTITLED 'REVIEW OF FINANCIAL POLICIES  
OF THE BANK', PAGE 66, FOOTNOTE 85. OF THIS AMOUNT, 28  
BASIS POINTS ARE APPORTIONED TO THE LENDING RATE WHILE THE  
BALANCE IS SUBSIDIZED THROUGH THE BANK'S OWN CAPITAL.

2. ADB STAFF HAS NOW INDICATED IN DOCUMENT R68-77 THAT ITS PROPOSAL IS TO REDUCE LENDING RATE FOR THE SECOND HALF OF 1977 FROM 8.7 TO 8.25 PERCENT. THIS AMOUNTS TO A DROP OF 45 BASIS POINTS IN CONTRAST TO IBRD DECISION TO REDUCE ITS RATE BY 20 BASIS POINTS.

3. THE ADB DOCUMENT ALSO ACKNOWLEDGES THAT THE PROPOSED REDUCTION OF LENDING RATE--WHICH WOULD APPLY TO THE BULK OF 1977 LOANS--IS EXPECTED TO HAVE A LASTING ADVERSE AFFECT ON BANK'S NET INCOME. THIS LONG-RANGE EFFECT ON THE ADB'S EARNING IS REFLECTED IN THE BANK'S OWN ESTIMATE OF CHANGES IN ITS INTEREST COVERAGE RATIO AFTER 1981. WITH THE PROPOSED RATE REDUCTION, THIS RATIO (NET INCOME PLUS INTEREST PAID ON FUNDED DEBT ALL DIVIDED BY INTEREST PAID ON FUNDED DEBT) IS EXPECTED TO DROP AFTER 1981 TO 1.25. THIS FIGURE CONTRASTS WITH THE LAST PREVIOUS ESTIMATE OF 1.48 GIVEN IN WORKING PAPER 1-77 AND THE ACTUAL 1976 INTEREST COVERAGE RATIO OF 1.68. VANCE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVELOPMENT LOANS, INTEREST RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 18-Jul-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE166635  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** AADAMS:SMCP  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770255-1298  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770746/aaaabnzw.tel  
**Line Count:** 81  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** d3841d68-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 CANBERRA 4925, 77 STATE 156569  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 17-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1828117  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ADB LENDING RATE  
**TAGS:** EGEN, EFIN, AS, ADB  
**To:** CANBERRA  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/d3841d68-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009